



State of Hawaii
DEPARTMENT OF AGRICULTURE
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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON FINANCE
THURSDAY, FEBRUARY 20, 2014
11:00 A.M.
Room 308**

**HOUSE BILL NO. 748, HOUSE DRAFT 1
PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to testify on House Bill No.748, House Draft 1 that proposes to amend Article VII, Section 12 of the Hawaii State Constitution for the purpose to issue special purpose revenue bonds and use the proceeds from the bonds to assist agricultural enterprises on any type of agricultural land in production or processing of crops, vegetables, fruits, livestock, and poultry. The Department of Agriculture supports efforts to allow farmers the opportunity to access funds to produce and process local agricultural products. However, we defer to the Department of Budget and Finance on this measure.

Thank you, again, for the opportunity to testify on this measure.



WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 748 H.D. 1

February 20, 2014

PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

House Bill No. 748, H.D. 1, proposes to amend Article VII, Section 12, of the Constitution of the State of Hawaii to authorize the State to issue special purpose revenue bonds (SPRBs) and use the proceeds from the bonds to assist agricultural enterprises on any type of agricultural land.

The Department has a comment on the bill. The amendments proposed in the bill incorporates prior Department of Budget and Finance comments and would allow SPRBs to be issued for any type of agricultural enterprise, rather than for those only serving important agricultural lands.

Thank you for the opportunity to provide testimony on this measure.



February 18, 2014

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair
House Committee on Finance

Testimony in Support of HB 748, HD1, Relating to Agricultural Enterprises (Proposes an Amendment to the Hawaii Constitution to Authorize the State to Issue Special Purpose Revenue Bonds and to Use the Proceeds from the Bonds to Assist Agricultural Enterprises on Any Type of Agricultural Land).

Thursday, February 20, 2014, 11:00 a.m., in Conference Room 308

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to provide testimony **in support of HB 748, HD1**, and to offer comments.

HB 748, HD1. The purpose of this bill is to propose an amendment to Article VII, Section 12, of the Hawaii State Constitution to authorize the State to issue special purpose revenue bonds (SPRBs), and to use the proceeds from the bonds to assist agricultural enterprises on any type of agricultural land.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such projects and ventures critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe HB 748, HD1 and the ensuing issuance of SPRBs to assist agricultural enterprises on any type of agricultural land will greatly assist with costs which must be incurred in connection with establishing new agricultural projects and activities; expanding and improving their growing and processing facilities, including bringing them to current safety standards as may be required; and with costs which must be incurred for maintenance and upgrade of existing structures and equipment.

As this Committee may already be aware, the unsustainable costs cast upon land owners and agricultural stakeholders by various safety and security standards, programs and regulations are another serious concern, as the enactment of onerous regulations relating to maintenance and operation of water systems, infrastructure, as well as growing and

processing machinery and facilities are proving to be potentially counterproductive to the long-term objective of sustainable agriculture.

As potential issues relating to public health, and food safety and security continue to be a significant concern, LURF and its members appreciate this measure being taken to assist agricultural stakeholders.

For the reasons stated above, LURF is **in support of HB 748, HD1**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony in support of this measure.

FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 18, 2014 10:42 AM
To: FINTestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB748 on Feb 20, 2014 11:00AM*

HB748

Submitted on: 2/18/2014

Testimony for FIN on Feb 20, 2014 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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February 20, 2014

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 748, HD1
PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES

Room 308
11:00 AM

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,832 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB strongly supports HB 748, HD1 which proposes an amendment to the Hawaii constitution to authorize the State to issue special purpose revenue bonds (SPRBs) and use the proceeds from the bonds to assist agricultural enterprises.

Special purpose revenue bonds provide the private sector access to the lower rates available in public finance capital markets. Decaying plantation-era or obsolete infrastructure, record high transportation costs, and regulatory compliance issues are a crushing burden on our producers and processors and combine to threaten the food security and sustainability of our state.

The State of Hawaii has acknowledged that Agriculture is vital to food security, long-term sustainability and is an important contributor to the State's economy. Hawaii's farmers and ranchers need access to affordable capital to implement the many projects that contribute to feeding our citizens. HB 748, HD1 represents a collaborative effort between broad stakeholders engaged in farming and ranching, not-for profits and Government entities.

Some examples of Agricultural Projects that could benefit from SPRBs are water infrastructure including source development, storage, distribution and irrigation systems, local feed and fertilizer mills, processing and value-added facilities that will create jobs, benefit our local economy and expand Hawaii's brand worldwide, including creation of cross promotion opportunities for food, flowers, foliage and tourism, as well as a host of renewable energy systems, including bio, solar, wind and hydro-electric energy systems that compliment agricultural production.

Please support this vitally important measure.

We appreciate this opportunity to provide testimony on this matter.



Testimony of Hawai'i Green Growth

In Support of HB 748 & HB 737

Proposing an Amendment to the Hawai'i Constitution to Authorize the Issuance of Special Purpose Revenue Bonds to Assist Agricultural Enterprises

House Committee on Finance

20 February 2014, 11:00am in Conference Room 308

Audrey Newman
Hawai'i Green Growth
P.O. Box 535
Ho'olehua, Hawai'i 96729

Aloha Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

I am writing on behalf of Hawai'i Green Growth (HGG) **in support of HB 748 and HB 737**, which propose an amendment to the Hawai'i Constitution for the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in Hawai'i.

HGG is a multi-sector partnership committed to achieving a resilient, sustainable Hawai'i. We bring leaders from the energy, food and environmental sectors together to achieve Hawai'i's sustainability goals and to be a model for building a green economy. HGG's members include more than 80 leaders and advisors from government, business and non-profit organizations.

HGG members agreed on the top legislative actions for 2014 that will significantly advance sustainability in Hawai'i and already have widespread support across sectors. Support for local agriculture with SPRBs is one of HGG's top priorities.

One major obstacle to expanding, diversifying, and ensuring the sustainability of Hawai'i's food production is the need for substantial capital investment. HGG members agree that if the SPRB definition is amended to include agriculture and infrastructure expenses, SPRBs will be able to provide critical funding to the private sector for agricultural infrastructure, technologies, facilities, agricultural workforce training, and production & growth activities. The Local Food Coalition believes many projects could currently qualify for SPRBs and would total \$150M in new investments to produce and process local agricultural products.

As a partnership representing Hawai'i's leaders in environment, food and energy, HGG asks for your support of these bills, which will make critical investments in a more diversified agricultural economy, food self-reliance for Hawai'i's people and visitors, and a more resilient future for our islands.

Mahalo nui for your time and consideration,

A handwritten signature in black ink that reads "Audrey Newman". The signature is written in a cursive, flowing style.

Audrey Newman

Senior Advisor, Hawai'i Green Growth (HGG)

Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy.

**HB 748 HD1
PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

FEBRUARY 20, 2014

Chair Luke and Members of the House Committee on Finance:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 748 HD1, “A BILL FOR AN ACT PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.” We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 140 years and is Hawaii’s last remaining sugar plantation. HC&S has approximately 36,000 acres in active sugar cane cultivation and employs about 800 Maui residents. While all of Hawaii’s other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations, to have sustained our operations and continue as a major employer in the State of Hawaii. Despite the current uptick in sugar prices, history has proven that commodity sugar prices will remain relatively flat, as they have over the last few decades, despite increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity

sugar to the production of specialty sugar and renewable energy. In addition to being the main supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

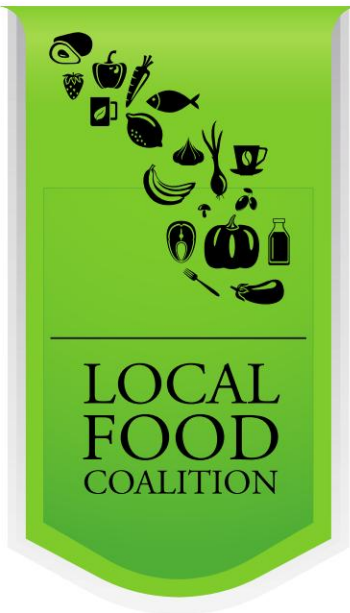
HC&S also generates biomass produced renewable energy for its sugar milling, irrigation pumping, and other agricultural operations and provides renewable energy to Maui Electric Company (MECO) for Maui's residents and businesses. The source of fuel for this renewable energy is bagasse, which is the residual fiber of the sugar cane plant. Not only does HC&S generate approximately 6% of MECO's total electricity, HC&S is also a firm capacity power provider to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

In addition, HC&S is currently participating in significant new Hawaii-based research initiatives on bio-energy, closely working with the University of Hawaii and various Federal agencies on energy crop development, energy conversion technologies, and long term resource requirements for biomass production. HC&S also provides water (through the County) to approximately 35,000 Upcountry Maui residents and to the Kula Agricultural Park.

This bill proposes an amendment to the State Constitution to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises. Major infrastructure requirements such as irrigation systems, roads and utilities, and agricultural processing facilities play a critical role in the survival of many agricultural businesses. The special purpose revenue bonds authorized in this constitutional

amendment will provide important financial support for Hawaii's agricultural operations. In addition to assisting these agricultural operations with their current infrastructure needs, this additional means of financing will also serve as a stimulus to encourage these entities to expand their operations or to enhance their operating efficiencies through the installation of new agricultural infrastructure, equipment, and other related improvements to service their farming operations.

Based on the aforementioned, we respectfully request your favorable consideration on this bill. Thank you for the opportunity to testify.



HOUSE COMMITTEE ON FINANCE

Thursday, February 20, 2014 – Agenda #1- 11:00 a.m. – Room 308

The Local Food Coalition Strongly Supports HB 748 HD1, Proposing an Amendment to the Hawai'i Constitution to Authorize Issuance of Special Purpose Revenue Bonds to Assist Agricultural Enterprises

Chair Luke, Vice Chairs Nishimoto and Johanson and Members of the Committee:

4 Ag Hawai'i

Hawai'i Aquaculture &
Aquaponics Association

Hawai'i Association of
Independent Schools

Hawai'i Cattlemen's Council

Hawai'i Farm Bureau
Federation

Hawai'i Farmers' Union
United

Hawai'i Food Industry
Association

Hawai'i Food
Manufacturers Association

Kohala Center

Malama Kaua'i

Maui School Garden
Network

Ulu pono Initiative

My name is Kyle Datta and I am General Partner of the Ulu pono Initiative, a Honolulu-based impact investment firm, which is working to improve the quality of life for Hawai'i residents by investing in projects that create more locally grown food, increase renewable energy and reduce/recycle waste. I would also like to introduce Gerald Sumida, who is a partner with Carlsmith Ball LLP and our legal counsel on this matter, who will also be available to respond to any questions that you might have for me and for him. We are pleased to appear before you today on behalf of the Local Food Coalition, which is an organization comprising of farmers, ranchers, livestock producers, investors and other organizations working to provide Hawai'i's food supply.

The Local Food Coalition is testifying in strong support of HB 748 HD1, which proposes an amendment to the Hawai'i Constitution for the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in Hawai'i. These Local Food Bonds are also in a related bill – HB 737 – which provides for the issuance of SPRBs to assist agricultural enterprises in Hawai'i. Our testimony here is primarily in support of HB 748 HD1.

As part of the Local Food Coalition, Ulu pono is very pleased to support proposals designed to help grow more local food. Our group's members came together last year with one common goal: to promote the local production of food in a sustainable and economically sound manner to benefit Hawai'i's people through the revitalization and expansion of our state's agricultural sector. This year the Coalition is continuing to pursue this comprehensive approach because it is the most effective way for Hawai'i to develop its resources for diversified food production, as well as lessen its dependence on importing that which can be grown, raised and processed locally.

The Local Food Coalition Supports All Forms of Agriculture.

The Coalition includes the Hawai‘i Farm Bureau Federation, the Hawai‘i Cattlemen’s Council, Inc., Hawai‘i Famers’ Union United, 4 Ag Hawai‘i, the Hawai‘i Aquaculture and Aquaponics Association, the Kohala Center, Hawai‘i Food Manufacturers Association, Hawai‘i Food Industry Association, Hawai‘i Association of Independent Schools, Maui School Garden Network, Malama Kaua‘i, and Ulupono Initiative.

One major persistent and formidable obstacle to expanding, diversifying and ensuring the sustainability of Hawai‘i’s food production resources is the need for substantial capital investment in agriculture infrastructure, technologies, facilities, agricultural workforce training, and production and growth activities. We recognize that the State has been supporting many facets of agriculture in Hawai‘i over the years. However, there are increasingly severe limits to what it can continue to support and finance. We need to prudently manage those public resources.

In addition to State financial resources, there is also the very real availability of private capital for those required agricultural investments. Indeed, the SPRB provisions enable the State to assist certain qualified enterprises to raise private capital from the capital markets without affecting the State budget or the State’s debt ceiling (i.e., how much the State can borrow). Private funds raised through SPRBs also do not involve the State’s full faith and credit, so the State is not obligated to back the SPRBs. Thus, this avenue of obtaining private financing has been used to support non-profit healthcare facilities; schools and educational institutions; manufacturing, processing and industrial enterprises; public utilities providing electricity or gas; low and moderate income housing, and agricultural enterprises serving important agricultural lands.

However, the range of agricultural activities that are essential parts of Hawai‘i’s agricultural sector is much broader than what is now available under the existing SPRB provisions. These activities range from growing and processing of food crops and vegetables; growing and processing of poultry and poultry products; raising and processing of livestock and livestock products, including cattle, pigs, goats and sheep; growing, processing and packaging of fruits and juices; developing and operating irrigation and water systems, including irrigation ditches, small dams and reservoirs and related control systems; construction and maintenance of shelters and other facilities to grow, raise and process food crops and livestock; and similar essential agricultural activities.

We believe that there are substantial new agricultural investments that would benefit in the near term from the inclusion of “agriculture” in the definition of SPRBs. Furthermore, we can expect that the availability of SPRB financing for agricultural enterprises would greatly increase new investment in Hawai‘i’s agricultural industries.

HB 748 HD1 is grounded in the recognition of these real, immediate and critical needs. It will enable agricultural enterprises to obtain authorization for these Local Food Bonds (SPRBs) and use this financing in their businesses, all for the broader immediate and long-term benefit of Hawai‘i’s people and economy. Not only will this provide an important

source of private financing, but also it will not impact the State’s public financial situation, and instead will enhance its resources.

The authorization of the issuance of SPRBs to assist agricultural enterprises will require an amendment to the Hawai‘i Constitution to add agricultural enterprises as eligible for SPRBs. HB 748 HD1 is therefore the first step required in this initiative to establish Local Food Bonds. Thus, the other bill that we noted, HB 737, will, by its terms, become effective only after Hawai‘i’s voters amend the Constitution to permit the authorization of SPRBs to assist agricultural enterprises. This HB 748 HD1 provides for Hawai‘i’s voters to decide on such a Constitutional amendment.

We greatly appreciate the opportunity to present this testimony in support of HB 748 HD1 and ask your favorable consideration of this bill.

Thank you very much,

Kyle Datta
General Partner
Ulupono Initiative

Gerald Sumida
Partner
Carlsmith Ball LLP

Email: communications@ulupono.com



LATE

1768 Kalawi Place
Wailuku (Maui), Hawaii 96793

February 19, 2014

Email Testimony

The Honorable Sylvia Luke
Chairwoman House Finance Committee
repluke@capitol.hawaii.gov
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

House Finance Committee hearing for House Bill 748

Vincent Mina
President
Maui

Aloha Chair Luke, Vice-Chairs Ling and Johansen, honorable committee members.

HFUU is **in Support of HB 748**; a Constitutional Amendment to allow special purpose revenue Bonds for agriculture.

Simon Russell
Vice-President
Maui

Currently agricultural enterprises in Hawaii and farmers are not privy to the same type of capital other sectors of the economy are. These government underwritten bonds will have the capability to give our budding agriculture industry the fiscal stimulus it needs to become the foundation for a food secure Hawaii.

David Case
Secretary
Kona

Respectfully submitted,

Ray Maki
Treasurer
Kauai

Hawaii Farmers Union United

Simon Russell
Simon Russell

Pamela Boyar
Member
Oahu

Vice-President and Legislative Chair

David Fisher
Member
Maui

The Hawaii Farmers Union and its Chapters is a nonprofit corporation formed under Hawaii law. It advocates for the sovereign right of farmers to create and sustain vibrant and prosperous agricultural communities for the benefit of all Hawaii through cooperation, education and legislation.

Steve Sakala
Member
Kona